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# **Tenant Improvements Lease      100**

<b>Space Landlord:</b>	<u>104</u>
<b>Tenant:</b>	<u>102</u>
<b>Lessor:</b>	<u>110</u>
<b>Lender:</b>	<u>200</u>
<b>Structure of Transaction:</b>	<p><i>Variation #1 (New Installations):</i></p> <p>Space Landlord will enter into an “<b>Occupancy Lease</b>” 106 with Tenant covering the “<b>Premises</b>.” In addition, Lessor and Tenant will enter into a separate a “bondable” lease (the “<b>TI Lease</b>”) of the tenant improvements to be located at the Premises (the “<b>Tenant Improvements</b>”). Such lease will be effective as of the completion of the Tenant Improvements and, to the extent funded by Tenant, Lessor will reimburse Space Landlord and Tenant for their respective contributions to the hard and soft costs of the Tenant Improvements. Lessor will at all times be the owner of the Tenant Improvements.</p> <p><i>Variation #2 (Existing Installations):</i></p> <p>Space Landlord’s existing “<b>Occupancy Lease</b>” 106 with Tenant covering the “<b>Premises</b>” will be restructured as follows (a) the Occupancy Lease shall be amended to (A) eliminate Space Landlord’s tenant improvement allowance and (B) reduce the rent payable thereunder to exclude Tenant’s repayment of, and Space Landlord’s return on, such allowance and (b) Lessor and Tenant will enter into a “bondable” lease (the “<b>TI Lease</b>”) of the tenant improvements to be located at the Premises (the “<b>Tenant Improvements</b>”). Lessor will reimburse Tenant for the net book value of Tenant’s and Space Landlord’s investment to the installation of the Tenant Improvements. Lessor will be the owner of the Tenant Improvements.</p>

**Fig. 1, page 1**

<b>Capitalization of Lessor:</b>	<p><i>Variation #1 (Investment Grade Tenant's with installations valued in excess of \$10 million):</i></p> <p>Lessor will be capitalized through (x) an equity investment (the “<b>Equity Investment</b>” <u>116</u>) by Space Landlord equal to 3% of the net book value (the “<b>TI Value</b>”) of the Tenant Improvements (for new installations, the TI Value will be 100% of the hard and soft construction costs) and (y) the issuance of non-recourse debt (the “<b>Debt</b>” <u>120</u>) of Lessor, secured only by the cash flow from the TI Lease and not by the Tenant Improvements, in an amount equal to 97% of the TI Value.</p> <p><i>Variation #2 (all other installations):</i></p> <p>Lessor will be capitalized through (x) an equity investment (the “<b>Equity Investment</b>” <u>116</u>) by Space Landlord equal to 3% of TI Value (for new installations, the TI Value will be 100% of the hard and soft construction costs), (y) the issuance of non-recourse debt (the “<b>Debt</b>” <u>120</u>) of Lessor, secured only by the cash flow from the TI Lease and not by the Tenant Improvements, in an amount equal to 97% of the TI Value. (In some instances, Space Landlord may own the Debt, an ____ % portion thereof, or a ____ % participation therein.)</p>
<b>Lease Term:</b>	Tenant Improvements Lease to run co-terminous with, or shorter than, Occupancy Lease. <u>122</u>
<b>Debt Term:</b>	Same as TI Lease Term.
<b>Space Landlord's Return:</b>	<p><i>Variation #1 (Investment Grade Tenant with installation valued in excess of \$10 million):</i></p> <p>11.5% per annum.</p> <p><i>Variation #2 (All other installations):</i></p> <p>10% current coupon, 20% pre-loss yield.</p>
<b>Debt Interest Rate:</b>  <u>126</u>	<p><i>Variation #1 (Investment Grade Tenant with installation valued in excess of \$10 million):</i></p> <p>50-100 basis points over the market rate for Tenant's senior unsecured debt having a maturity equal to the Debt Term.</p> <p><i>Variation #2 (All other installations):</i></p> <p>10% for investment grade tenants, 11% for rated, non-investment grade tenants and 13%-16% for non-rated, non-investment grade tenants.</p>
<b>Debt Amortization:</b>	Self-amortizing using constant rent payments. <u>128</u>
<b>Debt Covenants:</b>	If applicable for non-investment grade tenants. <u>138</u>

**Fig. 1, page 2**

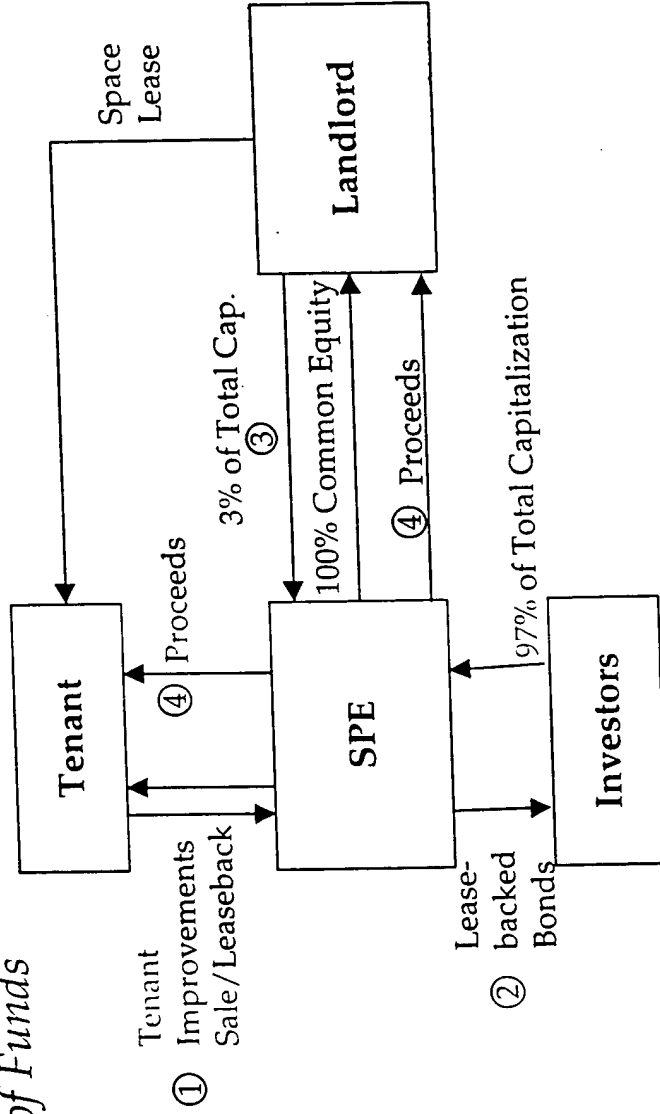
<b>Debt Prepayment:</b> <u>142</u>	The Debt may only be prepaid in the event of the termination of the Occupancy Lease and TI Lease upon a casualty or condemnation (as described below). In such event, the Debt will be prepaid at par, plus a yield maintenance premium.
<b>Rent:</b> <u>124</u>	Rent payments under the TI Lease will be formulated to service the timely payment of interest and principal on the Debt and to provide Space Landlord's Return
<b>Rent Obligation Absolute:</b> <u>130</u>	The TI Lease will provide that the obligation of Tenant to pay the rent is absolute and not subject to any defense, counterclaim, offset, deduction or abatement of any kind, regardless of any failure to complete, defect, damage, unsuitability or other condition affecting the Tenant Improvements or the Premises generally.
<b>Net Lease:</b> <u>132</u>	Tenant will be completely and unconditionally responsible for the operation, repair and maintenance of the Tenant Improvements and all costs and expenses incurred in connection therewith.
<b>End of Term:</b> <u>134</u>	At the end of the TI Lease Term, the Tenant Improvements will continue to be owned by the Space Landlord through its wholly owned subsidiary, Lessor.
<b>Taxes:</b>	Tenant shall pay all use, personal property, and other similar taxes levied with respect to the Tenant Improvements, or the ownership, operation, use, condition, maintenance, repair, leasing or subleasing thereof, any taxes payable in respect of the rent.
<b>Insurance:</b> <u>144</u>	Tenant will be obligated to insure the Tenant Improvements against damage or destruction for the benefit of Lessor, Space Landlord and Lender under a broad form, extended coverage policy in form and issued by an insurer, acceptable to such parties. The ability of Tenant to self-insure will be subject to underwriting approval.
<b>Casualty/Condemnation:</b> <u>140</u>	In the event of (a) damage or destruction to the Premises by fire or other casualty or (b) a taking of all or part of the Premises by exercise of eminent domain, that, in either case, permits Tenant to terminate the Occupancy Lease, and Tenant so terminates the Occupancy Lease, Tenant will have the right to terminate the TI Lease. As a condition to such termination, Tenant will be obligated to pay all outstanding principal and accrued and unpaid interest on the Debt, together with a yield maintenance premium. Tenant's right to terminate the TI Lease will be further conditioned on Tenant also terminating the Occupancy Lease at such time.
<b>Indemnity:</b> <u>146</u>	Tenant will fully indemnify and hold harmless Lessor, the Space Landlord and Lender from and against any and all claims, liabilities, losses, costs or damages in any way related to or arising in connection with the transaction or the construction, ownership, operation or repair of the Tenant Improvements.
<b>Tax Treatment:</b>	Space Landlord will be the tax owner of, and therefore enjoy 100% of the depreciation benefits associated with, the Tenant Improvements.

**Fig. 1, page 3**

<b>Events of Default:</b>  <u>148</u>	Customary lease/loan defaults and cure periods, <i>e.g.</i> , (a) failure to pay rent, (b) general non-monetary default (30 day cure period with right to extend if default cannot be cured with reasonable efforts within 30 days), (c) bankruptcy and insolvency events of default and (d) cross default to Occupancy Lease.
<b>Remedies:</b>  <u>150</u>	Upon the occurrence of an Event of Default, Lessor will have the right to terminate the TI Lease and, in addition to customary remedies of a lessor (i.e. to repossess the Tenant Improvements for reletting or sale by Space Landlord), have the right to demand payment of damages sufficient to repay all outstanding principal of, and accrued interest on, the Debt, and to repay the Space Landlord's Return through the remaining Debt Term.
<b>Put Option:</b>  <u>160</u>	Upon an Event of Default under the TI Lease, the tenant will be obligated to purchase the tenant improvements from the Lessor for a purchase price equal the unpaid principal of the loan advanced by Lender plus Space Landlord's unrecovered equity investment in Lessor.

**Fig. 1, page 4**

## Initial Flow of Funds

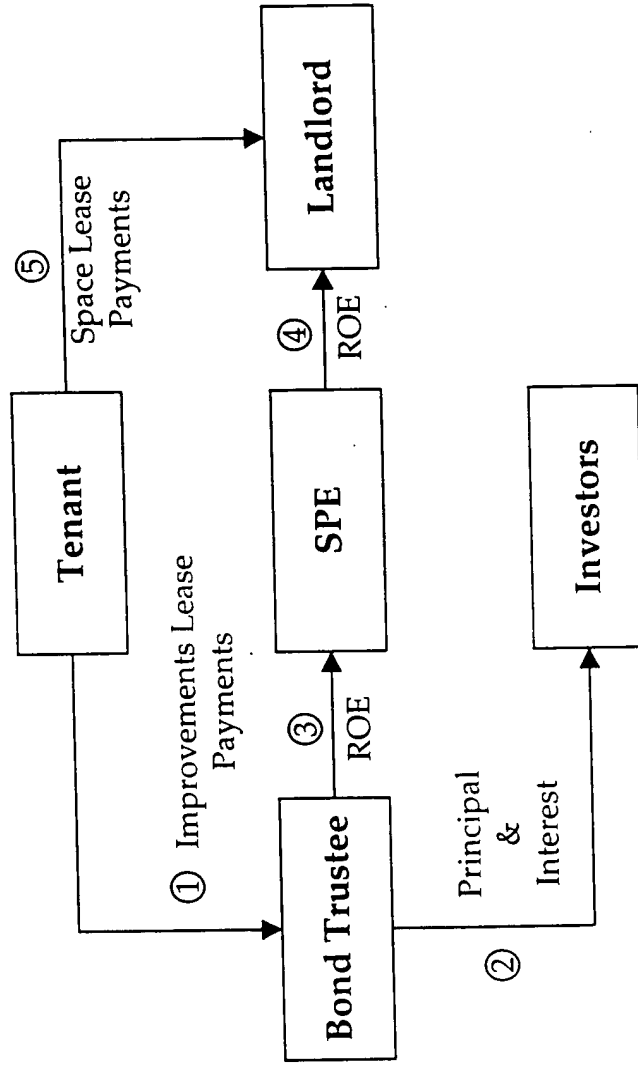


## Step-by-Step Description

1. The Tenant sells the tenant improvements to the SPE and leases the TIs back under a 'bondable' Improvements Lease.
2. The SPE issues lease-backed bonds.
3. The Landlord is issued 100% of equity in the SPE.
  - Equity must be at least 3% of total capitalization.
4. The SPE uses the proceeds to purchase the Improvements from the Tenant and pay the costs of the transaction.

Fig 2a

## Ongoing Flow of Funds



### Step-by-Step Description

1. The Tenant makes lease payments through the Improvements Lease structure to a Bond Trustee.
2. The Bond Trustee distributes principal and interest payments on the bonds.
3. The Bond Trustee distributes the remaining cash flows to the SPE to meet Landlord's required return on equity.
4. The SPE dividends excess rent payments to Landlord.
5. The Tenant continues to make space lease payments to Landlord in the ordinary manner

Fig. 2b

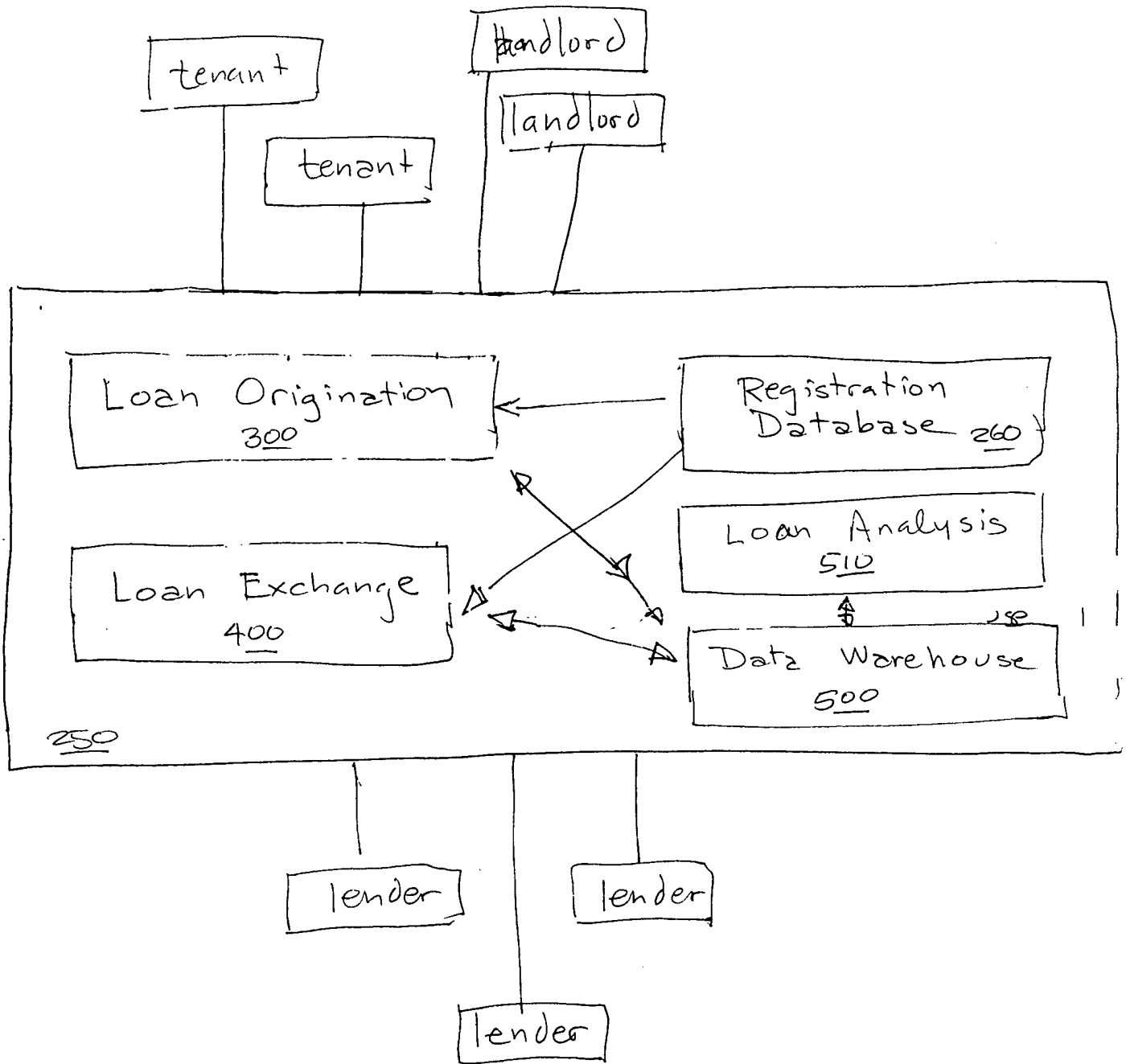


Fig. 2c



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TI  
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Home Profile Loan Management Loan Information

Update

Company Name	Whitmore & Associates
CEO	Helen N. Whitmore
Contacts Full Name	Frank Carpenter
Business Address	1345 Spring Street
City	New York
State	New York
Zip Code	10011
Broker Name	Hector Gonzalous
Broker Name	Carlos Santiago
Broker Name	

Logon ID	HGonzalous
Logon ID	CSantiago
Logon ID	

Submit Application

Fig. 3a

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## COMPARE RATES AND GET FINANCING

Welcome to TILOAN, where tenants and landlords can find, compare, and secure loans from the industry's leading lenders, including Polestar Capital, Morgan Stanley Dean Witter, Wells Fargo Bank, GMAC, First Union and many, many more.

To view instantly the most competitive termsheets and rates provided by our lenders, please complete the following information. Questions? Call us at 1-877-4TILOAN.

### 1. Property Information

Property Value: (\$)  
(For example: 5,000,000)

Property Type:

State:

Is this a credit tenant net lease property?

Is this property occupied (>50%) by owner?

### 2. Financing Information

Desired Loan Amount: (\$)

(For example: 3,000,000)

Desired Interest Rate Type:

Desired Amortization (for Permanent Loan):

Desired Loan Term (for Permanent Loan):

(For multiple selections -- hold down the Ctrl or Command key as you click on each selection)

Select One

Select One

☐ Yes ☒ No

☐ Yes ☒ No

Fixed Or Adjustable

Select Amortization

Select Term

3 years

5 years

Search for Financing

Fig. 3b

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# COMPARE RATES AND GET FINANCING

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To view instantly the most please complete the follow

## 1. Property Information

Property Value: (\$)  
(For example: 5,000,000)  
Property Type:

State:

Is this a credit tenant r  
Is this property occupie

## 2. Financing Information

Desired Loan Amount: (\$)  
(For example: 3,000,000)  
Desired Interest Rate Type:

Desired Amortization (for Permanent Loan):

Desired Loan Term (for Permanent Loan):

(For multiple selections -- hold down the Ctrl or Command key as you click on each selection)

### Polestar

Loan Amount	Amortization	Loan Term	Interest Rate
1,000,000	15 years	15	8%

### Other Financing Institution

Loan Amount	Amortization	Loan Term	Interest Rate
1,000,000	39 years	15	9.5%

Savings 300,000

Fixed Or Adjustable

Select Amortization

Select Term

3 years

5 years

Search for Financing

Fig. 3c









WELCOME POLESTAR CAPITAL PARTNERS

Recently Accepted Bids		
Loan #	Amount	Interest Rate
123456	1,500,000	12%
987654	300,000	20%
223334	500,000	11.5%
192837	1,250,000	15%

New Auctions

Date	Interest Rate	Amount	Rating	Seller
6/13	12%	500,000	AAA	Whitmore & Associates
6/12	13%	1,200,000	BBB	Carpenter Partners
6/12	20%	750,000	NR	Stingie Bros.

Interest Rates

▲ 1YR	0.02	6.13%
▲ 10YR	0.10	5.97%
▲ Fed Funds	0.06	5.97%
Prime	0	9.00%
▲ 3M Libor	0.00	6.28%

Recent News

- Fed's Meyer Says U.S. Economy Is Growing Too Fast, Rates Should Be Raised
- World Economy to Grow 4.2% in 2000, 3.9% in 2001, Fueled by U.S., IMF Says
- Integral Systems Falls on Contract Delay Concern

Fig. 4c



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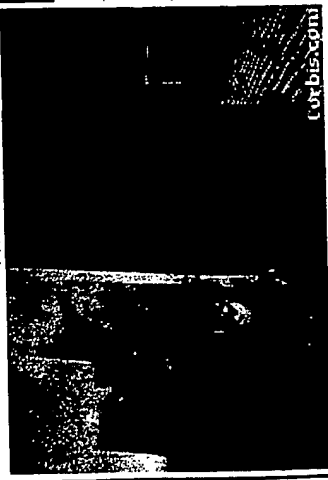
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Home Profile Loan Management Loan Information

**TI**  
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WELCOME WHITMORE & ASSOCIATES



**Loan Status**

Loan #	Amount	Status
123456	1,500,000	Bid
987654	300,000	Funding
223334	500,000	Closing
192837	1,250,000	Approval

**Most Recent Closings**

Date	Interest Rate	Amount	Rating	Buyer
4/13	12%	500,000	AAA	Polestar Capital Partners
4/12	13%	1,200,000	BBB	Goldman Sachs
4/12	20%	750,000	NR	Polestar Capital Partners

**Interest Rates**

▲ 1YR	0.02	6.13%
▲ 10YR	0.10	5.97%
▲ Fed Funds	0.06	5.97%
Prime	0	9.00%
▲ 3M Libor	0.00	6.28%

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- World Economy to Grow 4.2% in 2000, 3.9% in 2001, Fueled by U.S., IMF Says
- Integral Systems Falls on Contract Delay Concern



Portfolio Management for Whitmore & Associates

Select Portfolio Analysis View: By Region Sort

Region	Tenant	\$ Invested	Interest Rate	\$ per Sq. Foot	Lease Cash Flow
East	Stringle Bros.	100,000	6%	100	50,000
	mitcheb.com	500,000	9%	400	250,000
	carpenter.com	150,000	4.5%	85	75,000
Central	Stringle Bros.	200,000	5.8%	95	100,000
	Buckley Inc.	200,000	5.7%	200	100,000
West	mitcheb.com	350,000	7.8%	75	175,000
<b>Totals:</b>		<b>1,500,000</b>	<b>6.5%</b>	<b>159.2</b>	<b>750,000</b>

Download all Data: [Download Data](#)

Fig. 5c.

**Scorecards for Whitmore & Associates**

**Scorecard By Loan Size**

Loan Date	Amount	Tenant	Rating	Investor
6/1	1,000,000	J&B Inc.	AAA	Polestar Capital Partners
6/15	750,000	carpenter.com	BBB	Goldman Sachs
6/30	325,000	Stringle Bros.	NR	Polestar Capital Partners

**Scorecard By Investor - Polestar Capital Partners, LLC**

Loan Date	Amount	Tenant	Rating	Investor
6/1	1,000,000	J&B Inc.	AAA	Polestar Capital Partners
6/30	325,000	Stringle Bros.	NR	Polestar Capital Partners

Fig. 5d

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## Company Profile

**Business Name:** Stringle Bros.  
**Contact Name:** Lana Armstring, CEO  
**Lease Amount:** 15,507,045.15  
**Term of Lease:** 30 year fixed  
**Preferred Rate:** 8.23%

## Assets (In Millions)

July 23, 2000

January 23, 2001

<b>Current Assets:</b>		
Cash and Equivalents	147	83
Short Term Investments	46	38
Deferred Income Taxes	25	54
Other Current Assets	34	22
	-----	-----
<b>Total Current Assets</b>	<b>251</b>	<b>197</b>
<b>Investments</b>		
Restricted Investments	147	83
Property and equipment, net	46	38
Other Assets, net	25	54
	34	22
	-----	-----
<b>Total Assets</b>	<b>251</b>	<b>197</b>

## Liabilities and Shareholder Equity (In Millions)

Fig. 5e